

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9552
Order No. R-8817

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR AN EXCEPTION TO GENERAL
RULE 303 (A), LEASE COMMINGLING, RIO
ARRIBA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 7, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of December, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Amoco Production Company, seeks an exception to General Rule 309 (A) of the Division Rules and Regulations to allow the surface commingling without separate metering of Mancos production (which includes but is not limited to the Gavilan-Mancos Oil Pool) from wells located in an area encompassing Sections 1 through 3 and Sections 10 through 15, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

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(3) General Rule 309 (A) of the Division Rules and Regulations provides that oil shall not be transported from a lease until it has been received and measured in a facility of an approved design located on the lease.

(4) The applicant is the operator of the Bear Canyon Unit, which is contained within the above-described proposed commingling area and comprises said Sections 10 through 15, and the S/2 of said Sections 1 through 3.

(5) The applicant is also the operator of acreage contained within the proposed commingling area but not within the Bear Canyon Unit Area, said acreage comprising the N/2 of said Sections 1 through 3.

(6) The two distinct areas described in Finding Nos. (4) and (5) above in effect constitute separate leases with diverse ownership.

(7) The applicant is currently authorized by Division Order No. CTB-334, dated March 23, 1988, to surface commingle, without separate metering, the production from wells within the Bear Canyon Unit Area.

(8) The proposal involves the surface commingling of production from wells within the Bear Canyon Unit with the production from three wells currently being completed, the BCU Well No. 4, English Well No. 1, and the Simmons Federal Com Well No. 1, located, respectively, in said Sections 2, 1, and 3, whose standard 640-acre proration units lie half in and half out of the Bear Canyon Unit.

(9) The applicant proposes to allocate production by means of either a 72-hour production test or three 24-hour production tests to be conducted monthly on each well within the proposed commingling area.

(10) The applicant testified that the proposed surface commingling will optimize production, provide efficiency, and reduce operating costs which may in turn extend the life of the wells within the proposed commingling area.

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(11) Several working and royalty interest owners owning an interest in the Bear Canyon Unit and in the area located outside the unit appeared at the hearing in opposition to the proposed commingling and proposed method of allocation of production. These interest owners further requested that the applicant be required to comply with the terms of General Rule 309 (A).

(12) The applicant presented no evidence to indicate the accuracy of the proposed method of allocation of production versus separate metering.

(13) The applicant presented no evidence to indicate that the proposed commingling, at this point of development within the field, is necessary to economically produce the subject wells.

(14) The evidence in this case does indicate that the proposed commingling and method of allocation of production may not adequately protect the interests of the various owners as described in Finding No. (11) above, thereby resulting in the violation of correlative rights.

(15) The subject application should be denied.

(16) The applicant should be required, insofar as the BCU Well No. 4, the English Well No. 1, the Simmons Federal Com Well No. 1, and any other wells drilled in said Sections 1 through 3 are concerned, to comply with the requirements of General Rule 309 (A) of the Division Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company for an exception to General Rule 309 (A) to allow the surface commingling without separate metering of Mancos production from wells within an area encompassing Sections 1 through 3 and 10 through 15, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

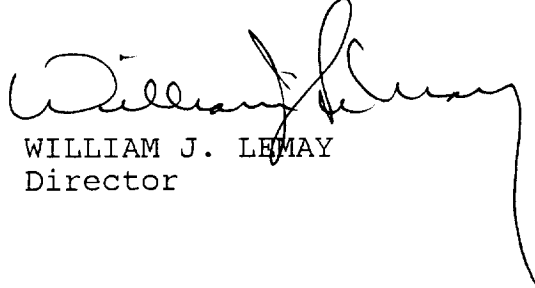
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(2) The applicant shall be required, insofar as the BCU Well No. 4, the English Well No. 1, the Simmons Federal Com Well No. 1, and any other wells drilled in said Sections 1 through 3 are concerned, to comply with the requirements of General Rule 309 (A) of the Division Rules and Regulations.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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